

**Introduced by Committee on Veterans Affairs (Senators Morrow
(Chair), Chesbro, Denham, Dunn, and Soto)**

February 22, 2005

An act to amend Section 987.88 of the Military and Veterans Code, relating to veterans.

LEGISLATIVE COUNSEL'S DIGEST

SB 766, as introduced, Committee on Veterans Affairs. Veterans: farm and home purchases: purchasers life and disability insurance.

Existing law, the Veterans' Farm and Home Purchase Act of 1974, permits the Department of Veterans Affairs to enter into a master agreement with one or more insurance companies to provide life or disability insurance coverage for purchasers of farms or homes under the program. Existing law requires the master agreement to provide for the maintenance of reserves as the department, after advising the California Veteran's Board and after consultation with the Insurance Commissioner, deems appropriate and prudent. These reserves are prohibited from being more than 20% in excess of actuarial requirements plus a reasonable contingency reserve.

This bill would, instead, for calendar years beginning on and after January 1, 2006, prohibit these reserves from being more than 25% in excess of actuarial requirements plus the reasonable contingency reserve.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 987.88 of the Military and Veterans
- 2 Code is amended to read:

1 987.88. (a) In the event the department enters into a master
2 agreement with one or more insurance companies to provide life
3 or disability insurance coverage for the purchasers of farms and
4 homes from the department, the master agreement shall provide
5 that the life insurance will be offered to purchasers who are
6 disabled solely as a result of their qualifying military service and
7 to nondisabled purchasers on an equal basis and that no
8 purchaser shall be denied coverage solely because that purchaser
9 has a qualifying military service-connected disability at the time
10 of application. Notwithstanding Part 2 (commencing with
11 Section 10110) of Division 2 of the Insurance Code, the life or
12 disability insurance shall be a form of group life or group
13 disability insurance.

14 (b) The master agreement shall provide for maintenance of
15 those reserves as the department, after consultation with the
16 Insurance Commissioner, deems appropriate and prudent, and the
17 department may use from time to time any accumulated surplus
18 in those reserves, or any refunds or returns therefrom upon
19 termination of the agreement, for the purposes of this article or of
20 any veterans general obligation or revenue bond act. Any and all
21 acts of the department in maintaining and using the reserves
22 consistent with this subdivision are hereby ratified and
23 confirmed, it having at all times been the intent of the Legislature
24 that reserves be maintained and that any surpluses therein or
25 refunds or returns therefrom be used by the department for the
26 purposes stated in this subdivision.

27 (c) (1) Notwithstanding subdivision (b), *and except as*
28 *provided in paragraph (2), on and after January 1, 1987, and*
29 *before January 1, 2006, any reserves maintained under the*
30 *master agreement shall not exceed a level greater than 20 percent*
31 *in excess of actuarial requirements plus a reasonable contingency*
32 *reserve, as determined annually by the department, and the*
33 *department may contract with one or more independent actuaries*
34 *or actuarial firms to assist the department in the annual*
35 *determination.*

36 (2) *Notwithstanding subdivision (b), on and after January 1,*
37 *2006, any reserves maintained under the master agreement shall*
38 *not exceed a level greater than 25 percent in excess of actuarial*
39 *requirements plus a reasonable contingency reserve, as*
40 *determined annually by the department, and the department may*

1 *contract with one or more independent actuaries or actuarial*
2 *firms to assist the department in the annual determination.*
3 (d) Any departmental proposal to enter into, revise, amend,
4 renew, extend, or cancel, any agreement described in this section
5 shall be a policy change subject to subdivisions (b), (c), and (d)
6 of Section 84.

O